

Message Text

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PAGE 01 LONDON 13728 01 OF 02 311927Z

64

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

SIL-01 /107 W

----- 056560

R 311716Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5022

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 13728

E.O.11652: N/A

TAGS: ETRD, GATT, UK, EC

SUBJECT: UK IMPORT CONTROLS: STATUS REPORT AND ASSESS-
MENT

SUMMARY. THE BRITISH GOVERNMENT REMAINS OPPOSED TO BOTH
GENERAL AND SELECTIVE IMPORT CONTROLS, BUT IS KEEPING THE
DOOR VISIBLY OPEN TO SELECTIVE RESTRAINTS IF THE CIRCUM-
STANCES IN PARTICULAR CASES SHOULD WARRANT THEM IN ORDER

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PAGE 02 LONDON 13728 01 OF 02 311927Z

TO PLACATE TRADE UNION PRESSURES. TUC PRESSURES FOR

IMPORT PROTECTION CONTINUE AS UNEMPLOYMENT LEVELS ARE STILL CLIMBING, EVEN THOUGH THE ECONOMIC RECOVERY IS UNDERWAY. EMBASSY'S ASSESSMENT IS THAT THE GOVERNMENT SHOULD BE ABLE TO AVOID ADDING ANY SIGNIFICANT IMPORT CONTROLS AT LEAST THROUGH THE REMAINDER OF THIS YEAR, ALTHOUGH ANOTHER SIGNIFICANT SLIDE IN THE POUND'S VALUE, UNEXPECTEDLY BAD TRADE FIGURES, OR CONTINUED INCREASES IN UNEMPLOYMENT COULD MEAN REALLY SERIOUS PRESSURE. END SUMMARY.

1. THE BRITISH GOVERNMENT, INCLUDING PRIME MINISTER CALLAGHAN, CHANCELLOR HEALEY AND TRADE SECRETARY DELL, CONTINUES TO BE OPPOSED IN PRINCIPLE TO IMPORT RESTRAINTS AGAINST THE PRESSURES WHICH HAVE BEEN GENERATED LARGELY BY THE TRADE UNIONS CONGRESS FOR THE LAST 18 MONTHS, ALTHOUGH THE EFFORT TO APPEAR OPEN-MINDED TOWARD THE POSSIBILITY OF INTERVENTION IN PARTICULAR CASES ALSO REMAINS PART OF THE PUBLIC POSTURE. MOST RECENTLY, IN HIS JULY 22 STATEMENT TO PARLIAMENT ON PUBLIC EXPENDITURE CUTS, HEALEY SAID "THE GOVERNMENT WILL ALSO WATCH VIGILANTLY THE NEED FOR ANY EXTENSION OF ITS EXISTING IMPORT RESTRAINTS TO PROVIDE TEMPORARY PROTECTION TO VIABLE INDUSTRIES FACED WITH UNFAIR COMPETITION. WE HAVE ALREADY TAKEN ACTION AND WE ARE ANXIOUS TO DISCUSS WITH BOTH SIDES THE NEED FOR FURTHER ACTION OF THIS KIND." IN RESPONSE TO A DIRECT QUERY AUGUST 2 ABOUT RENEWED TALK OF IMPORT CONTROLS IN THE UK, DELL TOLD U.S. OFFICIALS THERE HAS BEEN NO CHANGE IN POLICY -- THE GOVERNMENT WILL CONTINUE TO LOOK AT PARTICULAR INDUSTRY COMPLAINTS TO SEE IF ANYTHING NEEDS TO BE DONE. THE TYPES OF GOODS IN QUESTION ARE MAINLY FROM JAPAN OR DEVELOPING COUNTRIES. HOWEVER, IT IS CLEAR THAT NEITHER CIVIL SERVANTS NOR KEY MINISTERS WOULD LIKE TO GO BEYOND THE MINISCULE MEASURES TAKEN IN DECEMBER 1975, WHICH REMAIN IN EFFECT.

2. PRESSURES REMAIN ON THE GOVERNMENT FROM THE TUC, THE LEFT WING OF THE PARLIAMENTARY LABOUR PARTY, AND FROM SOME DEPRESSED INDUSTRIES. THE PAST FEW MONTHS HAVE SEEN MORE PUBLIC DIALOGUE ABOUT INCREASED SELECTIVE CONTROLS, E.G. FOR TEXTILES AND CONSUMER ELECTRICAL GOODS.

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PAGE 03 LONDON 13728 01 OF 02 311927Z

THERE IS, HOWEVER, NO EVIDENCE THAT THE TRADE UNIONS HAVE INCREASED PRESSURE BY MOVING THESE PARTICULAR DE-

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PAGE 01 LONDON 13728 02 OF 02 311728Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 13728

MANDS TO THE TOP OF THEIR LIST OF PRIORITIES, AHEAD OF
OTHER MORE CRUCIAL ISSUES RELATED TO REDUCING UNEMPLOY-
MENT. THE NEXT INDICATION OF TRADE UNION ATTITUDES WILL
COME AT THE TUC CONFERENCE IN BRIGHTON NEXT MONTH, AND AT
THE PRESENT TIME IMPORT CONTROLS DO NOT APPEAR TO BE
SHAPING UP AS A MAJOR ISSUE.

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PAGE 02 LONDON 13728 02 OF 02 311728Z

3. THE GOVERNMENT'S RESPONSE HAS RECENTLY BEEN TO SPEAK OUT MORE FULSOMELY AND FREQUENTLY WITHOUT CHANGING ITS BASIC POLICIES. THERE HAS ALSO BEEN SOME INCREASED ACTIVITY IN THE DEPARTMENT OF TRADE'S ENFORCEMENT OF DUMPING REGULATIONS. ASSESSED DUMPING DUTIES, ENFORCED QUOTAS AND OTHER MEASURES ARE NOW GIVEN WIDE PRESS TREATMENT. MANY OF THESE GOVERNMENT ACTIONS HAVE BEEN TAKEN AGAINST EASTERN EUROPEAN PRODUCERS.

4. THERE ARE THREE DEVELOPMENTS THAT, INDIVIDUALLY OR IN COMBINATION, COULD GENERATE ENOUGH PRESSURE TO FORCE THE GOVERNMENT TO ADOPT SIGNIFICANT IMPORT CONTROLS: (A) A RENEWED MAJOR DOWNWARD MOVEMENT IN THE VALUE OF THE POUND; (B) A CONTINUING HIGH DEFICIT IN THE VISIBLE TRADE BALANCE, FOLLOWING ON JULY'S DISAPPOINTING FIGURES; OR (C) A FAILURE OF THE SEASONABLY ADJUSTED UNEMPLOYMENT FIGURES TO PEAK BEFORE LONG. TUC ACQUIESCENCE, IN EFFECT, TO THE PRESENT GOVERNMENT POLICY OF NO ADDITIONAL IMPORT CONTROLS COULD WELL DEPEND UPON NONE OF THESE AREAS DETERIORATING SIGNIFICANTLY. EMBASSY HAS NO REASON AT THIS TIME TO EXPECT SIGNIFICANT DETERIORATION IN THESE THREE AREAS.

5. IN SUM, WE BELIEVE UK IS NOT VERY LIKELY TO FIND ITSELF IN A POSITION OF BEING FORCED TO IMPOSE SIGNIFICANT ADDITIONAL IMPORT CONTROLS DURING THE NEXT FEW MONTHS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: UNEMPLOYMENT, IMPORT CONTROLS, PROGRESS REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON13728
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760330-0826
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976084/aaaaaclx.tel
Line Count: 199
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2004 by CunninFX>; APPROVED <12 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UK IMPORT CONTROLS: STATUS REPORT AND ASSESS- MENT SUMMARY. THE BRITISH GOVERNMENT REMAINS OPPOSED T
TAGS: ETRD, UK, GATT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006